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TELEGRAM INFORMATION REPORT TELEGRAM

CENTRAL INTELLIGENCE AGENCY

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CLASSIFICATION — DISSEMINATION CONTROLS

CONFIDENTIAL (When Filled In) NOFORN

RETAIN OR DESTRO

(b)(3)

COUNTRY CHINA (TAIWAN)/CHINA

REPORT NO. (b)(3)

SUBJECT GRC ESTIMATE OF MAINLAND CHINA CONDITIONS AS OF 12 MARCH 1962

DATE DISTR. 14 MARCH 1962

PRECEDENCE ROUTINE

DATE OF INFO.

REFERENCES

DULLES
GILDNER
KAYSEN
PETERSEN
SCHLESINGER

(b)(1) (b)(3)

THIS IS UNEVALUATED INFORMATION. SOURCE GRADINGS ARE DEFINITIVE. APPRAISAL OF CONTENT IS

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2. THE GOVERNMENT OF THE REPUBLIC OF CHINA (GRC) PRESENTED A WRITTEN ANALYSIS OF THE ECONOMIC, SOCIAL, POLITICAL, AND MILITARY SITUATIONS IN COMMUNIST CHINA THAT FAVOR THE DEVELOPMENT OF RESISTANCE. COMMENT. THIS ANALYSIS WAS STIMULATED BY A UNITED STATES ANALYSIS OF THE MAINLAND SITUATION PRESENTED TO THE GRC DURING THE WEEK OF 4 MARCH 1962.)

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3. THE ANALYSIS CONTENDED THAT AN ECONOMIC CRISIS HAD DEVELOPED IN COMMUNIST CHINA AS A RESULT OF THE FAILURE IN IMPLEMENTATION OF THE THREE RED FLAGS - THE PEOPLE'S COMMUNES,

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THE GREAT LEAP FORWARD, AND THE GENERAL LINE. THIS ECONOMIC CRISIS HAD IN TURN RESULTED IN POPULAR DISAFFECTION WITH THE REGIME, PEASANT RESISTANCE TO THE REGIME, A SCHISM IN THE LEADERSHIP OF THE CHINESE COMMUNIST PARTY (CCP) AND INTRA-BLOC WRANGLES, ALL OF WHICH PROVIDED A CLIMATE OF INSTABILITY IN WHICH RESISTANCE COULD BE SUCCESSFULLY DEVELOPED IN MAINLAND CHINA PROVIDED THE GRC PROVIDED THE LEADERSHIP AND WEAPONS FOR IT.

4. THE CHINESE COMMUNISTS HAVE ADMITTED THAT 1960 FOOD PRODUCTION WAS THE LOWEST IN THE PAST HUNDRED YEARS; 1961 SAW LITTLE IMPROVEMENT IN FOOD PRODUCTION. RATIONS WERE CONSEQUENTLY REDUCED TO AS LITTLE AS FIVE OR TEN CATTIES PER PERSON PER MONTH IN SOME AREA, AND FOOD IMPORTS FROM ABROAD BENEFITTED ONLY WORKERS IN LARGE NORTH CHINA CITIES; TOWNSMEN AND VILLAGERS ELSEWHERE DID NOT BENEFIT FROM THE IMPORTS. HONG KONG POST OFFICE STATISTICS, WHICH SHOW MORE THAN THIRTEEN MILLION FOOD PARCELS SENT TO THE MAINLAND DURING 1961, EVIDENCE THE DEPTH OF THE FOOD SHORTAGE. LETTERS FROM THE MAINLAND, INFORMATION PROVIDED BY REFUGEES AND DEFECTORS, AND OTHER SOURCES HAVE DESCRIBED WIDESPREAD MALNUTRITION AND DISEASE.

5. FOOD SHORTAGES HAVE FORCED THE CHINESE COMMUNISTS TO LOOSEN THE CONTROLS ENFORCED BY THE COMMUNES TO ALLOW PEASANTS TO TILL SMALL PLOTS, ENGAGE IN LIMITED PRIVATE PRODUCTION OF

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HANDICRAFTS, AND TRADE GOODS IN THE RURAL MARKETS. THESE MEASURES HAVE AMELIORATED THE PEASANTS HARDSHIPS, BUT THEY HAVE NOT FUNDAMENTALLY IMPROVED THEIR LIVELIHOOD.

6. POPULAR RESISTANCE TO MISERY HAS TAKEN THE FORM OF BOTH FLIGHT FROM THE MAINLAND TO ADJACENT AREAS AND FIGHTING AGAINST THE REGIME. MORE THAN TWO MILLION ESCAPED BETWEEN 1950 AND 1961. DURING 1961 MORE THAN FIVE THOUSAND ESCAPED TO HONG KONG AND MACAO; TWO PILOTS FLEW AN AN-2 TO KOREA. SO FAR IN 1962 A WHOLE OPERA TROUPE ESCAPED TO HONG KONG AND MACAO, AND A MIG-15 PILOT LANDED HIS AIRCRAFT IN TAIWAN. ARMED UPRISINGS BROKE OUT IN TIBET AND NINGHSIA DURING 1961. ISSUES 3 AND 4 OF THE 1962 EDITION OF RED FLAG ADMITTED THAT ABOUT TEN PERCENT OF THE POPULATION WAS OPPOSED TO THE REGIME AND PART OF THE REMAINING NINETY PERCENT WOULD NOT VOLUNTARILY SUPPORT SOCIALISM. THE 15 FEBRUARY 1962 ISSUE OF CHINA YOUTH REPORTED OLD REACTIONARIES HAD NOT BEEN ELIMINATED AND A NEW CROP OF REACTIONARIES HAD COME INTO EXISTENCE.

7. HIGH-RANKING CHINESE COMMUNIST OFFICALS HAVE NOT DEFECTED ONLY BECAUSE OF EITHER THE STRINGENT CONTROLS EXERCISED OVER THEM OR BECAUSE THEIR TRAINING CAUSES THEM TO BELIEVE THEY CAN SURVIVE ONLY BY REMAINING AND CONTINUING TO STRUGGLE IN THE PARTY. IN WARTIME, HOWEVER, BOTH THE CHANCE TO ESCAPE AND

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HOPELESSNESS OF FURTHER STRUGGLE WOULD RESULT IN HIGH-LEVEL DEFECTONS; GRC EXPERIENCE DURING THE BANDIT SUPPRESSION CAMPAIGNS ATTESTS TO THIS LIKELIHOOD.

8. THE ECONOMIC CRISIS HAD GIVEN RISE TO CONTENDING FACTIONS WITHIN THE CHINESE COMMUNIST PARTY. ONE CLIQUE FAVORS GOING SLOW AND IS PRO-SOVIET; THE OTHER CLIQUE FAVORS RADICAL POLICIES AND IS PRO-MAO. ANTI-PARTY GROUPS HAVE ARISEN CONSISTING OF FORMER DEFENSE MINISTER P'ENG TE HUAI; FORMER CHIEF OF GENERAL STAFF, HUANG K'O CH'ENG; FORMER COMMANDER OF GENERAL LOGISTICS COMMAND, HUNG HSUEH CHIH; AND FORMER VICE MINISTER OF FOREIGN AFFAIRS, CHANG WEN T'IEN. SEPARATISM HAS DEVELOPED IN CERTAIN PROVINCIAL AND MUNICIPAL GOVERNMENTS AS WELL, WHICH THE PARTY DEALT WITH IN 1960 AND 1961 BY TRANSFERRING PARTY PERSONNEL, NOTABLY IN HONAN, TSINGHAI AND NINGHSIA PROVINCES.

9. SINO-SOVIET DIFFERENCES HAVE ARISEN, WHICH ARE FUNDAMENTALLY A POWER CONFLICT BETWEEN KHRUSHCHEV AND MAO TSE TUNG. KHRUSHCHEV HAS ATTEMPTED TO DEEPEN CONFLICTS AMONG THE CHINESE COMMUNIST PARTY CLIQUES IN ORDER TO WEAKEN MAO, AND THE GO-SLOW CLIQUE OF THE CCP HAS LOOKED TO KHRUSHCHEV FOR SUPPORT IN THE AWARENESS THAT IT COULD NOT STAND ALONE AGAINST MAO.

10. THE BREAKDOWN IN CENTRALIZED AUTHORITY AND THE PRESSURES OF ECONOMIC DIFFICULTIES HAVE FORCED THE REGIME TO REDUCE THE

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SCOPE OF MILITIA TRAINING BECAUSE SOME ARMED MILITIA UNITS HAD COME UNDER THE CONTROL OF COUNTER REVOLUTIONARIES.

11. THE ARMED FORCES ABILITY TO FIGHT HAS BEEN SEVERELY WEAKENED. THE MIG-15 PILOT WHO DEFECTED TO TAIWAN IN MARCH 1962 REPORTED THE DIRE NEED OF AVIATION GASOLINE HAD REDUCED THE NUMBER OF MONTHLY TRAINING FLIGHTS FOR PILOTS FROM EIGHT TO TEN DAYS IN 1960 TO TWO OR THREE DAYS IN 1961, AND FINALLY TO ONE OR TWO HOURS IN 1962. CADETS AT THE AIR ACADEMY COULD NOT GRADUATE IN 1961 FOR LACK OF SUFFICIENT POL TO COMPLETE THEIR TRAINING. SPARE PARTS FOR AIRCRAFT WERE ALSO IN SHORT SUPPLY. NEARLY HALF OF THE CHINESE COMMUNIST AIR FORCE WAS IMMOBILIZED FOR LACK OF PARTS: INOPERATIVE AIRCRAFT COULD BE REPAIRED ONLY BY CANNIBALIZING OTHER AIRCRAFT. THE AN-2 PILOT DEFECTOR REPORTED PEASANTS HAD HURLED STONES AT LOW FLYING AIRCRAFT DUSTING CROPS. INDOCTRINATION PROGRAMS IN THE ARMED FORCES HAVE BEEN INTENSIFIED AS A RESPONSE TO SAGGING MORALE, SLOVENLY WORK PERFORMANCE, AND ARROGANCE. THE RICE RATION IN THE ARMY HAS BEEN REDUCED FROM 21 OUNCES TO 17 OUNCES DAILY; BORDER UNITS GET ONLY 14 OUNCES. MALNUTRITION, FATIGUE, AND ILLNESS IS CONSEQUENTLY PREVALENT. THE GOVERNMENT HAS ASSIGNED SENIOR OFFICERS TO THE COMPANY LEVEL TO MAINTAIN CONTROL OVER THE ARMED FORCES. THE NEW CHINA NEWS AGENCY REPORTED ONE SUCH INSTANCE ON 31 JANUARY 1962.

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12. FOR COMMUNIST CHINA, 1962 IS THE YEAR OF DECISION, THE 1 JANUARY 1962 ISSUE OF THE PEOPLE'S DAILY SAID SO, AND SO DID THE FIRST 1962 ISSUE OF RED FLAG. THE COMMUNIST REGIME IS NOW ON THE BRINK OF COLLAPSE, AND THE PEOPLE ARE WILLING TO REVOLT AGAINST IT. SUCCESSFUL ORGANIZATION OF A WIDESPREAD ANTI-COMMUNIST REVOLUTIONARY MOVEMENT DEPENDS, HOWEVER, ON TIMELY GRC SUPPORT AND LEADERSHIP.

13. [redacted] DISSEM: STATE COMUSTDC CINCPAC PACFLT ARPAC PACAF. (b)(3)

END OF MESSAGE

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MEMORANDUM FOR: Mr. Thomas Parrott

SUBJECT: Discussion with President Chiang Kai-shek

REFERENCE: [redacted] (b)(1) (b)(3)

1. The attached memorandum on the above subject is for General Taylor and Mr. Bundy's information.

2. The memorandum reports a conversation which took place on 24 January between President Chiang and Mr. Ray Cline, CIA's Taipei representative. The meeting, which was requested by President Chiang, lasted for one hour and was attended by the President's son, Chiang Ching-kuo.

FOR THE DEPUTY DIRECTOR (PLANS):

Desmond FitzGerald

Attachment:
Memo

MAY 23 1962

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